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Monetary Policy Financial Markets Expand Hide Statistics

Financial education

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Open market operations

Open market operations are the most important monetary policy instrument of the NBM. They are conducted at the central bank's initiative and play a role in managing liquidity conditions in the money market and steering short term interbank interest rates. Money market operations may be carried out via auctions or bilateral transactions.

According to the regulations in force [1], the main categories of open market operations available to the NBM are:

• **REPO operations** – liquidity - providing/absorbing reverse transactions whereby the NBM buys/sells from/to banks state securities upon banks/NMB commitment to repurchase the state securities at the date and the price agreed on the date the transaction was concluded;

• **issuance of NBM' s certificates** - liquidity-absorbing transaction whereby the NBM sells certificates of deposits to credit institutions;

• **deposit-taking operations** - liquidity-absorbing transactions with pre-specified maturity whereby the NBM takes deposits from banks;

• **outright sales/purchases of state securities** - liquidity-absorbing/providing transactions whereby the NBM sells/buys state securities whose ownership is transferred from seller to buyer on a "delivery versus payment" basis.

With the persistence of structural liquidity surplus in the banking system of Republic of Moldova, NBM sells weekly NBM's Certificates with the circulation term of 14 days with a view to mopping up excess liquidity. At the same time, in the effort to improve the credit conditions by banks of the national economy, the National Bank announces liquidity supplying operations, which are carried out through fixed rate REPO operations with the term of 14 days.

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